

Couldn't Care Les

"What's Up?!"

Teacher's Guide

Learning Goals

This video will demonstrate the following concepts:

1. The dynamics of supply and demand.
2. Setting prices below/above market rates causes shortages/surpluses.
3. Market prices emerge through the competition between firms.

Discussion Questions

Using these discussion questions following the presentation of the video will enable students to explore the concepts in the learning goals. These questions will steer the discussion to cover the learning standards.

- Why couldn't Les just charge whatever he wanted to?
- Who got to determine the price of gas in the video?
(not just Les, other companies and the customers had a say in the matter, too)
- Do you think Les would have gotten away with his plan to charge extra high prices if Amber wasn't across the street?
- What would customers do if prices were a lot higher?
- What would happen if the government made all gas stations charge lower prices?
(we would have long lines and shortages, that's what happened when they tried it in the 70s)
- If you worked at an oil company, would you try to collude with the other companies to charge higher prices?
- Do you think gas prices are too high these days?
- Given everything we have seen and talked about, why do you think gas prices are so high these days?

Learning Standards

The following standards are from the National Council on Economic Education. Please refer to the Couldn't Care Les website to see state-specific standards for your state.

- Market prices are determined through the buying and selling decisions of buyers and sellers.
- The market clearing or equilibrium price for a good or service is the one price at which quantity supplied equals quantity demanded.
- A shortage occurs when buyers want to purchase more than producers want to sell at the prevailing price.
- A surplus occurs when producers want to sell more than buyers want to purchase at the prevailing price.
- An increase in the price of a good or service encourages people to look for substitutes, causing the quantity demanded to decrease, and vice versa. This relationship between price and quantity demanded, known as the law of demand, exists as long as other factors influencing demand do not change.
- An increase in the price of a good or service enables producers to cover higher per-unit costs, causing the quantity supplied to increase, and vice versa. This relationship between price and quantity supplied is normally true as long as other factors influencing costs of production and supply do not change.

Additional Information

A Primer on Gasoline Prices

Source: Energy Information Association (statistical agency of the Department of Energy)
http://www.eia.doe.gov/bookshelf/brochures/gasolinepricesprimer/eia1_2005primerM.html

The Oil Crises in the 70s

In 1973, OPEC cut production of oil and placed an embargo on shipments to the United States. Another oil crisis occurred in 1979 following the overthrow of the Shah of Iran. Both the Nixon and Carter administrations instituted price controls, exacerbating the shortages that led to the infamous gas lines.

http://en.wikipedia.org/wiki/1973_oil_crisis

http://en.wikipedia.org/wiki/1979_energy_crisis

Federal Trade Commission and Collusion

The FTC investigates the oil and gas industry on an ongoing basis, under both Democrats and Republicans. "The vast majority of the [Federal Trade]Commission's investigations and studies have revealed market factors as the primary drivers of both price increases and price spikes. There is a complex landscape of market forces that affect gasoline prices in the United States."

<http://www.ftc.gov/os/testimony/050907gaspricetest.pdf>